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SIPDIS

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SUBJECT: TURKEY AND BTC: PROGRESS AND PROBLEMS IN THE EAST

REF: ANKARA 5533

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1. (SBU) Summary. As oil creeps through BTC toward the Turkish border, Turkish officials privately expect that a "first oil" ceremony will not be held in Ceyhan until March 2006. Meanwhile, a UK official looking at allegations of human rights abuses by BTC in Turkish villages, was generally -- but not entirely -- pleased by what he saw, and a first meeting under the BTC Security Protocol was finally held in Ankara. Especially compared to the scope of BTC, these relatively minor criticisms do not detract from the success of the multi-country, \$4 billion BTC project. End Summary.

2. (SBU) FIRST OIL IN CEYHAN: While not yet changing the official target of December for BTC first oil inauguration at Ceyhan (ref), Turkish officials are privately admitting that "real" first oil may not arrive in 2005. If that is the case, they may decide to target better weather in Ceyhan for a high-level opening ceremony in March 2006. A staffer that accompanied President Sezer to the October 12 celebration in Tblisi made this assessment to EconOff. Timing for first oil to the Turkish border with Georgia is still unclear (ref), with BP still hoping for end-October at the Turkish border and end-December at Ceyhan.

3. (SBU) BTC SECURITY PROTOCOL: The three-country BTC Joint Security Commission met for the first time October 14 in Ankara. MFA told Econoff there were positive and frank discussions and information sharing on threat assessment and cross-border cooperation. The countries agreed to meet again early in first half 2006 in Baku.

4. (SBU) HUMAN RIGHTS CLAIMS: Preliminary reaction: The UK contact point for OECD Guidelines for Multi-National Enterprises (the OECD complaint process) described allegations of human rights abuses promulgated by the London-based Kurdish Human Rights project, allegedly affecting Kurdish villagers around Ardahan on Lot A (Reftel). After a visit to the region, the UK official reported that he was impressed with the robust and transparent complaint process and extensive community investment program. However, he concluded that there was evidence of differences in social and community investment in Kurdish (and Alevi) and non-Kurdish villages that was exacerbated by a heavy-handed "big brother" approach by local authorities and BOTAS. While such problems may not be systematic and frequent, they were troubling. He will share his final report with EconOff and project participants.

5. (SBU) COMMENT: Slippage in completion of this complex three-country BTC project won't diminish its success and importance. The State Inspection Board at the Presidency has initiated a study of alleged mismanagement of sub-contracts under BOTAS' prime contract for BTC in Turkey, allegedly contributing to construction delays and over-runs. While corruption is rampant in energy tenders in Turkey, BTC has not been significantly implicated in on-going corruption probes. The inspection report is more likely aimed at establishing the GOT position for the inevitable difficult negotiations with the BTC consortium over commercial responsibility for construction delays and over-runs. Some local complaints about slow or inadequate compensation may have validity, but do not detract from the overall success of the project, and have not held up construction.

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